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Turkmenistan

Cotton and Products

Annual

2005

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Report Highlights:

Despite poor weather conditions in early spring, Turkmenistan's cotton production is expected to increase in 2005. The government hopes that the formation of joint-stock companies will improve production. At the same time, for the first time, the government is giving the Ministry of Textiles responsibility for producing cotton for domestic mills. President Niyazov is also encouraging greater domestic consumption of cotton by providing incentives to textile companies. Exports are expected to increase due to the rise in production.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
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Executive Summary

Cool and wet weather conditions in Turkmenistan delayed and crop maturation this spring. However, final production results will depend heavily on weather conditions throughout the harvest. Poor quality inputs adversely affect cotton production despite government incentives. The government would like textile production to increase by 25% and will provide cotton at less than world prices. At the same time, the government is giving the Ministry of Textiles greater responsibility for producing cotton for its own mills. It is uncertain that these changes will encourage production of cotton in the short-term. While domestic consumption is expected to increase, most additional production will be exported.

Production

Like other cotton-producing countries in Central Asia, cool and wet weather delayed planting. Plant maturation is considered to be about 10 days behind schedule. Area is expected to increase this year. Official reports indicate 650 THA sown with cotton, although unofficial sources indicate sown area increasing to 1 MHA in 2005.

The increased area could raise seed cotton production by 50 TMT in 2005 and lint cotton by a similar amount. A lot will depend on weather conditions during the harvest. As in previous years, the state target for seed cotton for 2005 is set at 2.2 million tons. However, it is highly unlikely that this target will be met. Since most of the crop is harvested manually, any delays or poor weather conditions will decrease production.

In 2004, the state target for seed cotton was also set at 2.2 million tons for 2005. Weather conditions continued throughout the fall in all Central Asian countries, which allowed countries to harvest late into the season. As a result, the seed cotton harvest was 700 TMT.

Table 1. Cotton, Production, Supply and Demand PS&D

Turkmenistan Cotton							
	2003	Revised	2004	Estimate	2005	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		08/2003		08/2004		08/2005	MM/YYYY
Area Planted	0	500000	0	550000	0	750000	(HECTARES)
Area Harvested	480000	480000	550000	500000	0	700000	(HECTARES)
Beginning Stocks	83607	50000	86873	20000	116266	30000	(MT)
Production	204663	135000	206840	200000	0	250000	(MT)
Imports	0	0	0	0	0	0	(MT)
MY Imp. from U.S.	0	0	0	0	0	0	(MT)
TOTAL SUPPLY	288270	185000	293713	220000	116266	280000	(MT)
Exports	119750	80000	87091	100000	0	150000	(MT)
USE Dom. Consumption	81647	85000	90357	90000	0	100000	(MT)
Loss Dom. Consumption	0	0	0	0	0	0	(MT)
TOTAL Dom. Consumption	81647	85000	90357	90000	0	100000	(MT)
Ending Stocks	86873	20000	116266	30000	0	30000	(MT)
TOTAL DISTRIBUTION	288270	185000	293714	220000	0	280000	(MT)

Production Inputs

Inputs are a major problem for farmers. The state supplies poor quality seeds and fertilizers, which have a negative impact on output. In 2004, between 30 and 40 TMT was lost due to substandard defoliants imported by Uzbekistan. Farmers are forced to sell cotton to the state at low prices. In exchange, the state is supposed to provide free planting seeds, as well as free land preparation, irrigation and assistance during the harvest. However, in practice this is often not the case. This year, the requirement that the Ministry of Textiles must provide inputs, may also affect output given the Ministry's lack of experience in growing cotton.

Consumption

Local textile mills use almost half of all lint produced in Turkmenistan and the government is seeking to increase that amount. President Niyazov told Turkish mills owners operating in the country that he wants to increase domestic consumption of cotton by an additional 25 percent. As an incentive, he will supply them with cotton at about 30% of the world price. Turkish millers have invested throughout Central Asia.

Trade

Exports are expected to increase by 50 TMT in 2005 given the higher production. Most Turkmen cotton is exported through trading companies in Europe and also shipped to Russia, its traditional importer. However, the government does not provide any information on export destinations. This year, the government allowed the sector to form joint-stock companies. According to this policy, companies should be able to market 70% of their production freely. The government hopes that this will be a boost to production. Similar policies in other Central Asian countries have not been successful.

There are three export-oriented textile factories in Turkmenistan: the Ashgabat Textile Complex, produces linen, underwear and sportswear; the Kipchak textile Complex, produces knitted fabric and clothes; and, the Turkmenbashi Jeans Complex. Turkmenistan exports over 50% of its textile production.

Table 1. 2004 Export Trade Matrix

Turkmenistan Cotton Exports		
Time Period: CY 2004	Units:	MT
Exports for:		
U.S.		0
Others		
--Russia		8500
Total for Others		8500
Others not Listed		64500
Grand Total		73000

Stocks

Turkmenistan does not publish any trade, production or stock data, which is considered quite sensitive. Stock estimates have been lowered in recent years, first due to lower production in those years, and second due to the high cost of holding stocks.

Policy

As in previous years, the government has set a production target of over 2.2 million tons of seed cotton. Cotton production has not come anywhere near this target. The state is pretty much still in control of all production. However, Turkmenistan's Ministry of Agriculture is no longer solely responsible for cotton production. President Niyazov ordered the Ministry of Textiles to grow cotton to for its domestic mills. The Ministry of Textile was allocated 150,000 hectares and must supply all the resources for the planting and harvesting of the crop. Turkmenistan's textile mills are already working well below capacity and this additional responsibility could further limit output. Moreover, the government recently decreased the number of Turkish personnel at local textile plants, which may create additional management problems.

Another major shift in policy will be the creation of joint-stock companies in the cotton sector. As part of this policy, companies will be allowed to sell 70 percent of its cotton output freely. This is similar to a policy introduced in Uzbekistan several years ago. In practice, however, the policy does not function and only time will tell whether this new policy will serve as an incentive to production.

Marketing

A portion of the harvest traditionally is placed in the state reserves, a portion is sold to domestic industry, and the remainder is contracted to traders for export. The government uses these proceeds to pay farmers albeit at low prices.